

Message Text

SECRET

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44

ACTION SS-30

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FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 7506

S E C R E T TEHRAN 6200

EXDIS

DEPT PASS SECDEF, USCINCEUR, JCS

FOR THE SECRETARY FROM THE AMBASSADOR

E.O. 11652: GDS

TAGS: MASS, IR, US

SUBJECT: IRANIAN INTEREST IN PRODUCTION OF U.S. DEFENSE SYSTEMS

1. DURING MY AUDIENCE JULY 23, SHAH EXPRESSED SOME RESTIVENESS AT OUR FAILURE TO RESPOND TO HIS REQUESTS TO MANUFACTURE SOPHISTICATED MILITARY HARDWARE IN IRAN. AS YOU ARE AWARE, AT VARIOUS TIMES DURING THE PAST YEAR HE HAS TOLD US GOI WISHES TO PRODUCE, OR AT LEAST ASSEMBLE, HERE THE COMPLETE RANGE OF SURFACE TO AIR AND GROUND TO AIR MISSILES, TOW, BELL'S 215 AND 216 ADVANCED MODEL HELICOPTERS AND POSSIBLY THE NORTHRUP'S YF-17 LIGHT WEIGHT FIGHTER.

2. SHAH RECOGNIZES THAT IRAN DOES NOT HAVE THE INDUSTRIAL BASE TO BEGIN SOPHISTICATED PRODUCTION WITHOUT LARGE-SCALE OUTSIDE ASSISTANCE. HE SEEMS PREPARED NOT ONLY TO PURCHASE THE EQUIPMENT FOR PRODUCTION LINES, BUT TO HIRE THE SERVICES OF ALL NECESSARY EXPATRIATE PERSONNEL. SHAH RECENTLY TOLD MAAG CHIEF THAT HE VALUES AMERICAN TECHNICIANS IN IRAN ALSO FOR EXAMPLE THEIR WORK METHODS SET FOR IRANIANS. SHAH HAS ALREADY TAKEN DEFINITE STEPS IN THE ELECTRONICS FIELD WITH HIGES AND WESTINGHOUSE AND WE UNDERSTAND THAT HE HAS BEEN TALKING TO THE GERMANS AND POSSIBLY THE FRENCH AND BRITISH, AS WELL, REGARDING WEAPONS SYSTEMS THEY CONTROL.

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HE IS STRONGLY INTERESTED IN INVESTING IN R&D ABROAD WITH

THE GENERAL BUT NOT RIGID EXPECTATION THAT PRODUCTION IN IRAN WOULD FOLLOW.

3. WE HAVE RECEIVED AND COMMENTED ON A DRAFT MEMORANDUM OF UNDERSTANDING ESTABLISHING THE FRAMEWORK FOR COOPERATION ON R&D AND PRODUCTION WITH IRAN. THE MATTER NOW RESTS IN WASHINGTON WHERE WE UNDERSTAND IT HAS BEEN FROZEN IN THE HANDS OF LAWYERS AND OTHERS FOR SOME WEEKS. WE HAVE ALSO TRIED TO SWITCH THE GOI TO LESS SOPHISTICATED SYSTEMS WITHOUT, HOWEVER, SUCCEEDING IN DIVERTING THE SHAH'S INTEREST IN THE MOST ADVANCED. AS YET, TO OUR KNOWLEDGE, WE HAVE NOT DEALT WITH THE ISSUE OF RELEASING THESE SYSTEMS.

4. PRESTIGE AND ECONOMIC CONSIDERATIONS (THE SHAH WANTS TO BE ABLE TO EXPORT SOME OF THE ITEMS HE MANUFACTURES) ARE, OF COURSE, IMPORTANT TO HIS THINKING, BUT I BELIEVE THIS IS BASICALLY A POLITICAL QUESTION. AS HE SAID TO ME ON JULY 23, HE WANTS VERY MUCH TO BE INDEPENDENT IN SECURITY MATTERS. HE REGULARLY CITES THE EMBARGO ON ARMS TO PAKISTAN, THE DIFFICULTY OF SUPPLYING ISRAEL LAST FALL, AND NOW MAY USE GREECE AND TURKEY AS FURTHER EXAMPLES OF A DEPENDENCE ON FOREIGN ARMS SUPPLY WHICH CONFLICTS WITH FUNDAMENTAL NATIONAL INTERESTS. THIS IS CONSISTENT WITH HIS OVERALL PHILOSOPHY OF GOVERNMENT AND WE MAY BE SURE THAT IT IS NOT A PASSING FANCY. HE HAS THE REQUISITE FUNDS AND FEELS THAT US-IRANIAN POLITICAL RELATIONS SHOULD POSE NO IMPEDIMENT.

5. WE OWE HIM A CLEAR STATEMENT OF OUR THINKING ON THESE MATTERS. I REALIZE THAT VERY HARD QUESTIONS MUST BE ADDRESSED, INCLUDING CONGRESSIONAL CONCERNS, BUT I THINK WE SHOULD FACE UP TO THE ISSUES WITHOUT FURTHER DELAY. IF WE MUST GIVE HIM A NEGATIVE ON CERTAIN WEAPON SYSTEMS, SO BE IT. IT WOULD HOPE THAT WE COULD FIND A SUFFICIENT NUMBER OF SOPHISTICATED SYSTEMS THAT COULD OCCUPY HIS AVAILABLE MANAGERIAL TALENT AND RELIEVE HIS POLITICAL CONCERNS. IT WILL NOT BE ENOUGH TO TRY TO PERSUADE HIM TO LIMIT HIS MANUFACTURING TO THOSE SIMPLE SYSTEMS WHICH ARE SUITABLE FOR THE PRESENT LEVEL OF IRANIAN DEVELOPMENT. THIS WILL NOT ACCORD WITH THE SHAH'S HIGH AMBITIONS.

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6. I WOULD HOPE THAT A SENIOR GROUP OF STATE AND DOD OFFICIALS COULD BE DRAWN TOGETHER TO GIVE THESE QUESTIONS THE STUDY THEY DESERVE AND TO FORMULATE RECOMMENDATIONS FOR YOUR EARLY DECISIONS.
HELMS

NOTE BY OC/T: NOT PASSED SECDEF, USCINCEUR, JCS.

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NNN

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